

Message Text

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PAGE 01 VIENTI 01211 250121Z
ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 EB-08 TRSE-00 CIAE-00 INR-07
NSAE-00 AGRE-00 COME-00 /040 W
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R 240950Z AUG 77
FM AMEMBASSY VIENTIANE
TO SECSTATE WASHDC 8460
INFO AMEMBASSY BANGKOK
AMEMBASSY PARIS
AMEMBASSY TOKYO
AMCONSUL HONG KONG
CINCPAC

C O N F I D E N T I A L VIENTIANE 1211

CINCPAC FOR POLAD

E.O. 11652: GDS
TAGS: EALR EINV EPAP ETRD LA JA
SUBJECT: JAPANESE LOGGING COMPANY PLANS FIRST NEW FOREIGN
INVESTMENT VENTURE IN LPDR

1. ACCORDING TO A FOREIGN BUSINESSMAN CLOSELY INVOLVED
IN THE DEAL, A JAPANESE BUSINESSMAN HAS RECENTLY
NEGOTIATED A CONTRACT WITH THE LPDR TO INVEST ONE
MILLION DOLLARS TO EXTRACT AND EXPORT HARDWOOD LOGS.
THE JAPANESE CONCERN PLANS TO EXPORT 30,000 CUBIC
METERS OF HARDWOOD A YEAR CUT AT A LOGGING SITE LOCATED
ABOUT SIXTY KILOMETERS NORTHWEST OF VIENTIANE. SIX
JAPANESE EXPERTS WILL MANAGE THE LOGGING OPERATION.

2. SOURCE SAID THAT THE CONDITIONS OF THE CONTRACT ARE
FAVORABLE TO THE LAO GOVERNMENT. THE JAPANESE COMPANY
MUST TURN OVER SIXTY PERCENT OF ITS PROFITS TO THE LAO
GOVERNMENT EVEN THOUGH IT COVERS ALL OF THE CAPITAL,
LABOR AND RENT COSTS, AND TAKES FULL RISKS. MOREOVER,
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SOURCE SAID, THE DEAL IS EVEN LESS ATTRACTIVE TO THE
FOREIGN INVESTOR BECAUSE OF A COMPLICATED FOREIGN
EXCHANGE TRANSACTION IN WHICH THE COMPANY MUST SELL
LOGS TO THE MINISTRY OF AGRICULTURE IN KIP (LOCAL LAO
CURRENCY) AND BUY THE LOGS BACK FROM THE MINISTRY OF
COMMERCE IN DOLLARS. SOURCE SAID THAT DESPITE THESE
DISINCENTIVES THE JAPANESE INVESTOR DECIDED TO GO AHEAD

WITH THE DEAL BECAUSE HE IS GAMBLING THAT THE PRICE OF
HARDWOODS WOULD INCREASE SUBSTANTIALLY IN THE NEXT FEW
YEARS AND THAT HE WOULD BE ABLE TO MAKE UP FOR HIS
INITIAL LOSSES. INVESTOR ALSO WANTED TO HAVE AN
ESTABLISHED ACCESS TO THE RAW MATERIALS.

3. COMMENT: TO OUR KNOWLEDGE, THIS IS THE FIRST CASE
SINCE THE FORMATION OF THE LPDR IN 1975 IN WHICH A NEW
FOREIGN ENTERPRISE HAS ESTABLISHED ITSELF IN LAOS. THE
LPDR HAS YET TO FORMULATE A FOREIGN INVESTMENT CODE TO
REGULATE THE CONDITIONS OF FOREIGN INVESTMENT. WE
SUSPECT THAT THE LPDR WOULD NEGOTIATE ANY OTHER
FOREIGN INVESTMENT CONTRACT ON A CASE BY CASE BASIS
WITH CONDITIONS SIMILAR TO THE ONES ACHIEVED IN THE
CONTRACT WITH THE JAPANESE LOGGING COMPANY.
MCWILLIAMS

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Message Attributes

Automatic Decaptioning: X
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Control Number: n/a
Copy: SINGLE
Sent Date: 24-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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